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Director

State of California—Health and Human Services Agency
Department of Health Services



ARNOLD SCHWARZENEGGER
Governor

February 21, 2006

**Public Water Systems
Interested Parties**

NOTICE OF AVAILABILITY FOR PUBLIC REVIEW AND COMMENT:

1. [DRAFT INTENDED USE PLAN FOR FFY 2006 \(DRINKING WATER STATE REVOLVING FUND\)](#)
2. [DRAFT 2006 UPDATED PROJECT PRIORITY LIST \(DRINKING WATER STATE REVOLVING FUND\)](#)
3. [DRAFT 2006 SOURCE WATER PROTECTION PROJECT PRIORITY LIST \(DRINKING WATER STATE REVOLVING FUND\)](#)

The Drinking Water State Revolving Fund (DWSRF) program was established by state and federal statutes to provide funds for low cost loans to public water systems for improvement projects to meet health-based drinking water standards, and activities related to source water protection and improvement in water system reliability. Along with the federal DWSRF grant application to the U.S. Environmental Protection Agency (USEPA), the State develops an Intended Use Plan, which describes how the program is structured, the planned use of the funds, the criteria and methods to be used for distribution of the funds, the goals for the program, and a specific Project Priority List.

1. [DRAFT INTENDED USE PLAN FOR DRINKING WATER STATE REVOLVING FUND \(FFY 2006 FUNDING\)](#)

The Draft Intended Use Plan for the California Safe Drinking Water State Revolving Fund (SDWSRF) application to the U.S. Environmental Protection Agency (USEPA) for the FFY 2006 funding allocation, and related project priority lists, are being circulated for public review and comment. Based on the results of the USEPA's 2003 Drinking Water Infrastructure Needs Survey, the allocation available to California for FFY 2006 is \$68,108,400 (8.15 percent of the federal DWSRF funds available to all states). The State will provide the required 20 percent match of \$13,621,680 from funds made available through the sale of general obligation bonds pursuant to Proposition 50. Once finalized, the Department will submit the Intended Use Plan, and related project priority lists with the Capitalization Grant application to the USEPA. The Department proposes to utilize 14 percent of the FFY 2006 federal grant award for set-aside activities, including approximately 3 percent for source water protection loans. The remaining 86 percent of federal funds, plus all State matching funds, will be used to fund DWSRF projects.

The 2006 Draft Intended Use Plan includes a framework to set forth directly in the Intended Use Plan the threshold for application of federal cross-cutting requirements to SDWSRF funded projects. Currently the applicability of federal cross-cutting requirements is covered specifically in California SDWSRF regulations. However, the SDWSRF has begun to receive repayment of principal and interest on SDWSRF funded projects which have been completed. The SDWSRF needs flexibility to establish annually the threshold for projects which will be subject to federal cross-cutting requirements. By establishing the threshold in the Intended Use Plan, the

Department can evaluate the availability of repayments (which are not subject to federal cross-cutting requirements on reissuance). By setting the threshold for project size (cost) at a higher level when cross-cutter exempt funds are available, fewer SDWSRF applicants will be subject to the meeting the federal cross-cutting.

The Department intends to amend the State SDWSRF regulations by April 2007 to improve program implementation. Among those proposed changes is modification of the mechanism for setting the threshold for federal cross-cutting requirements. Upon approval of the regulation revision, the SDWSRF will establish the threshold for projects subject to federal cross-cutting requirements in each Intended Use Plan. Until the regulation revision is approved and effective, federal cross-cutters will continue to be applied to all project applications from systems serving over 1,000 service connections, and to all applications for more than \$500,000 in funding. [California Code of Regulations, Section 63050(b)] At such time as the regulation revision is approved, and invitations to apply are sent by the SDWSRF pursuant to this Intended Use Plan, federal cross-cutting requirements will be applied to applications from systems serving over 1,000 service connections and only to those applications for more than \$1,250,000 funding. SDWSRF project funding exempt from federal cross-cutting requirements will remain limited to the availability of monies in the California SDWSRF account not subject to such requirements (i.e. state match funds and loan repayments).

2. DRAFT 2006 UPDATED PROJECT PRIORITY LIST

The Department periodically updates the DWSRF Project Priority List for DWSRF funding. The priority list is a ranking of all public water system projects that have applied to be considered for DWSRF funding. Only projects on the Project Priority List are eligible for funding consideration. In 2005, the Department advised all public water systems of the opportunity to submit additional project pre-applications for incorporation into the Project Priority List. Pre-applications for 150 new or revised projects were received by the Department during that open pre-application period. Projects listed on the previous Project Priority List remain on the draft 2006 Updated Project Priority List. When finalized, the 2006 Updated Project Priority List will be used to identify projects to be invited for funding during 2006, and will continue in use until superseded.

3. DRAFT 2006 UPDATED SOURCE WATER PROTECTION (SWP) PROJECT PRIORITY LIST

Pursuant to federal and state statutes, a portion of the federal grant for the DWSRF may be used by the State to fund source water protection (SWP) projects. In 2005, the Department advised all public water systems of the opportunity to submit additional projects for incorporation into the SWP project priority list. New pre-applications have been ranked based on the type of contaminant to be addressed, and the proximity of the contaminant to the drinking water source, with consideration also given to system size as well as the progress of the system toward implementation of a source water protection program. New pre-applications were merged into the existing list. The updated draft listing consists of projects that may be eligible for SWP funding.

ADVISORY CONCERNING PRE-APPLICATIONS, APPLICATIONS, AND PRIORITY LISTS

The inclusion of a project on a priority list (DWSRF or SWP), does not obligate a water system in any way, nor is there any guarantee that listed projects will result in the awarding of financial assistance. Furthermore, the inclusion of a project on a funding priority list does not excuse or postpone the requirement for a system to comply with drinking water standards or other regulatory requirements, regardless of whether or not project funding is made available through one of these programs. Finally, in order to receive funding, an applicant must meet

financial and other criteria and must agree to comply with state and federal regulatory requirements in order to enter into a loan agreement.

PUBLIC REVIEW AND COMMENT

Interested parties are invited to review and comment on the Draft FFY 2006 Intended Use Plan and related Project Priority Lists. Copies of these documents are available at SDWSRF website, or may be obtained from the Department by contacting Kathleen Lujan at (916) 449-5600.

Comments on these proposed changes may be submitted to the Department in any of the following ways:

1. At the public hearing: Thursday, March 2, 2006
commencing at 9:00 a.m.
1600 Capitol Avenue, Hearing Room 72.167
Sacramento
2. Electronically via email to sdwsrf@dhs.ca.gov,
3. In writing via mail: Safe Drinking Water State Revolving Fund Program (MS 7418)
P.O. Box 997413
Sacramento, CA 95899-7413
Attn: Nadine Feletto
4. In writing via fax to: 916-449-5656

In order for comments to be considered, they must be received at the SDWSRF Sacramento office by 5:00 p.m. on Friday April 7, 2006, or postmarked no later than Friday, April 7 2006.

FOR INDIVIDUALS WITH DISABILITIES

The Department will provide services such as sign-language interpretation, real-time captioning, note-takers, reading or writing assistance, or meeting materials in Braille, large print, audiocassette, or computer disk. To obtain these services or copies in one of these alternate formats, please contact:

Ms. Judy Castelan, Department of Health Services
Division of Drinking Water and Environmental Management
P.O. Box 997413, Sacramento CA 95899-7413
Phone Number: (916) 449-5575; (TDD) (916) 449-5592

Sincerely,

Stephen A. Woods, Chief
Safe Drinking Water State Revolving Fund and
Small Water System Section